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Rating Action: Moody's Assigns Aaa to Iowa FA Single Family Mtg. Bds. 2017A and Aaa/VMIG 1 to 2017B; outlook stable

Global Credit Research - 16 Mar 2017

New York, March 16, 2017 -- Issue: Single Family Mortgage Bonds, 2017 Series A (Non AMT); Rating: Aaa; Rating Type: Underlying LT; Sale Amount: \$40,500,000; Expected Sale Date: 04/03/2017; Rating Description: Mortgage: Single-Family: GNMA/FNMA/FHLMC

Issue: Single Family Mortgage Bonds, 2017 Series B (Non AMT) (Variable Rate); Rating: Aaa; Rating Type: Underlying LT; Sale Amount: \$7,500,000; Expected Sale Date: 04/03/2017; Rating Description: Mortgage: Single-Family: GNMA/FNMA/FHLMC

Issue: Single Family Mortgage Bonds, 2017 Series B (Non AMT) (Variable Rate); Rating: VMIG 1; Rating Type: Enhanced ST; Sale Amount: \$7,500,000; Expected Sale Date: 04/03/2017; Rating Description: Mortgage: Single-Family: GNMA/FNMA/FHLMC

Summary Rating Rationale

Moody's Investors Service has assigned a Aaa rating to approximately \$40 million of Iowa Finance Authority ("IFA" or the "Authority") Single Family Mortgage Bonds, 2017 Series A and and Aaa/VMIG 1 to about \$8 million of 2017 Series B Bonds ("2017 Bonds"). We have also affirmed outstanding Aaa and VMIG 1 ratings in the Single Family Mortgage Bond program. The outlook is stable.

The Aaa ratings assigned to 2017 Bonds reflect the high quality collateral comprised of GNMA, Fannie Mae and Freddie Mac Mortgage-Backed Securities (MBS), the 1.44x program asset-to-debt ratio (as of 6/30/16) and the program's strong historical financial performance. The stable outlook is based on the program's strong financial position.

The VMIG 1 rating assigned to 2017 Series B bonds shall become effective on May 16, 2017, and is based on a standby bond purchase agreement (SBPA) provided by the Federal Home Loan Bank of Des Moines ("FHLB" or the "Bank"). The current rating of the FHLB is Aaa for long-term obligations and P-1 for short-term obligations, with a stable outlook.

Rating Outlook

The stable outlook is based on the strong financial position of the 1991 Resolution.

Factors that Could Lead to an Upgrade

None

Factors that Could Lead to a Downgrade

Substantial erosion of program financial position along with significant deterioration in the risk profile

Legal Security

The 2017 Bonds will be issued under the 1991 Resolution and will be equally and ratably secured with other series of bonds previously issued under the 1991 Resolution. The 2017 Bonds are secured by the general obligation of the Iowa Finance Authority (Aa3; outlook Stable) payable from available moneys, assets or revenues of the Authority, and further secured by the pledged MBS and certain other moneys, assets and revenues pledged to the payment of Bonds.

Use of Proceeds

Proceeds from 2017 Bonds will be used to purchase MBS backed by pools of qualifying mortgages to finance the acquisition of single family residences in the State of Iowa.

Obligor Profile

The Single Family Mortgage Bonds Resolution (the "1991 Resolution") was adopted in July 1991. The proceeds of bonds issued in this program are used to purchase MBS with underlying mortgages made to finance affordable housing to low and moderate income persons in the State of Iowa. All the bonds under the indenture are secured equally by all of the mortgage loans.

Methodology

The principal methodology used in these ratings was U.S. Housing Finance Agency Single Family Programs published in November 2016. An additional methodology used in the short-term ratings was Variable Rate Instruments Supported by Conditional Liquidity Facilities published in March 2017. Please see the Rating Methodologies page on www.moodys.com for a copy of these methodologies.

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